

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 COME-00 L-03 TRSE-00 OMB-01

CIAE-00 DODE-00 PM-05 H-01 INR-07 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 STR-05

SIL-01 LAB-04 OPIC-03 /088 W

-----118409 191739Z /40

P 191650Z OCT 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 5756

ALL USCONS MEXICO POUCH

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EO 11652: N/A

TAGS: EINV, EIND, MX

SUBJECT: AUTO DECREE

REF: MEXICO 10486

1. FOLLOWING IS OUR SUMMARY OF PRESENTATION MADE OCTOBER 17 BY FORD DE MEXICO OFFICIALS TO EMBASSY OFFICERS ON HARMFUL EFFECTS FORESEEN BY FORD FROM GOM AUTOMOTIVE DECREE OF JUNE 20 WITH CURRENTLY ANTICIPATED IMPLEMENTING REGULATIONS. (SEPTTEL DESCRIBES EMBASSY REPRESENTATIONS.)

2. FORD'S GOAL IS GOM RECONSIDERATION OF THE MEASURES, AS ITS OWN FUTURE IN MEXICO, UNDER THEM, WOULD BE BLEAK, AND THE DECREE'S EXAMPLE MAY LEAD TO SIMILAR MEASURES FOR OTHER INDUSTRIES IN MEXICO AND ELSEWHERE IN THE THIRD WORLD. AS POINTED OUT IN A MEETING BETWEEN ARA/MEX AND MVMA REPRESENTATIVES, CHRYSLER, FORD AND GM (WITH AMERICAN MOTORS AND INTERNATIONAL HARVESTER ACTING MORE AS OBSERVERS) MVMA FEELS THAT THE DECREE DISCRIMINATES AGAINST EXISTING INVESTMENTS AND HOLDS COMPANIES "AT RANSOM" TO PROMOTE EXPORTS.

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3. FORD IS CONCERNED ABOUT TOUGHER LOCAL CONTENT REQUIREMENTS, AS THE PERCENTAGE WILL BE CALCULATED ON A MODEL RATHER THAN INDUSTRY BASIS AND WILL EXCLUDE ASSEMBLY LABOR AND OVERHEAD. FINAL ASSEMBLY COMPANIES SUCH AS

FORD WOULD HAVE TO UNDERWRITE EXPANSION OF MEXICAN PARTS

SUPPLIERS. ABOUT 55 PERCENT OF CURRENT PARTS REQUIREMENT ARE NOW SINGLE-SOURCED FROM MEXICAN PARTS MANUFACTURERS WHO OFTEN TAKE ADVANTAGE OF THEIR MONOPOLY.

4. IN GOM DISCUSSIONS, FOREIGN EXCHANGE EXPENDITURES AS MENTIONED IN ARTICLE 4 OF DECREE WOULD BE BROADLY DEFINED TO INCLUDE SERVICE AND TECHNICAL FEES, INBOUND FOREIGN FREIGHT. INTEREST ON FOREIGN LOANS, AND DIVIDENDS. AS THE EXPENDITURES HAVE TO BE COMPENSATED BY EXPORTS, THE MEASURE SERVES AS AN EFFECTIVE MEANS OF FOREIGN EXCHANGE CONTROLS, ALTHOUGH THE GOM PRESENTS ITS LACK OF EXCHANGE CONTROLS AS AN INCENTIVE TO POTENTIAL INVESTORS. THE DISCUSSIONS ALSO INDICATED THAT EXPORT REQUIREMENTS FOR WHOLLY-OWNED FIRMS WOULD BE 35 TO 60 PERCENT LOWER THAN FOR FOREIGN-OWNED FIRMS.

5. A LETTER FROM AMIA, THE MEXICAN AUTOMOTIVE INDUSTRIAL ASSOCIATION, TO SEPAFIN SECRETARY DE OTEYZA POINTS OUT THAT TO MEET THE DECREE'S REQUIREMENTS, INDUSTRY WOULD HAVE TO INVEST SUMS WHICH ARE NOT CURRENTLY AVAILABLE AND THAT IT IS NOT PROVIDED SUFFICIENT INCENTIVES. EXPORTS WOULD HAVE TO REACH 21 BILLION PESOS BY 1981, AS COMPARED TO 5.5 BILLION IN 1976, REQUIRING AN ADDITIONAL INVESTMENT OF 13 BILLION PESOS. FORD FEELS THAT EXPORT REQUIREMENTS COULD BOOMERANG AGAINST GOM WHEN U.S. LABOR UNIONS AND CONGRESS AWARE OF IMPLICATIONS OF AUTOMOTIVE LIMITED OFFICIAL USE

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DECREE. LUCEY

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NNN

Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 19-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Disposition Remarks:
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Status: NATIVE
Subject: AUTO DECREE
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